

MR JACKSON

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TO : DEPARTMENT OF STATE, WASHINGTON

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February 12, 1957

ACTION
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SUBJECT: INFORMATION REQUIRED FOR NIE 80-57

The following are the Embassy's replies to the three questions posed in the Department's instruction under reference:

1. President DE LA GUARDIA's stated reason for creating the position of Administrative Director of the Presidencia and Coordinator of the Ministries was primarily to fill an actual administrative need, brought about by increased centralization of governmental control in the Presidencia, although his choice of Second Vice-President Heraclio BARLETTA to occupy this position has been regarded by most observers as a political move to give added prestige to the Second Vice-President in case of a showdown with DIAZ, and prevent Diaz and his supporters from gaining positions of influence in the administration.

Even during the political campaign, de la Guardia spoke of his intention of reorganizing the Presidencia along the lines of a modern business enterprise, adopting some of the methods he had used as manager of the National Brewery. The position of Administrative Director is said to be conceived by de la Guardia as comparable to the position held in the U.S. Government by Mr. Sherman ADAMS, Assistant to the President, and to that of an executive vice-president in a business establishment. In theory, Barletta is supposed to be the President's alter ego, listening to the views and requests of political supplicants, and ensuring that the President's directives are understood and are being implemented by the various ministries.

It is the Embassy's opinion that these functions are not being performed by Barletta, but by Diógenes DE LA ROSA (Emdesp 298, January 31). De la Rosa coveted this position and the title that goes with it, but was not appointed to it, possibly because President de la Guardia wished to continue using de la Rosa without attracting the attention and inevitable unfavorable publicity which would have redounded against his administration by the appointment of a known communist intellectual as his alter ego. Quite aside from de la Rosa's duties as speech writer and policy adviser, it is becoming increasingly evident that de la Rosa, and not Barletta, is the man to see in order to get the President's ear, and to get anything done. Barletta, who as an inveterate party hopper, is a handy man to have in the front office as

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far as keeping peace among the warring factions of the uneasy administration coalition is concerned, having something in common with all of them, but has no real political strength of his own. Known mainly as a successful transport tycoon rather than as a politician, Barletta is no hatchet man; and, although popular with the top echelons in the National Guard, has no particular influence with them. Barletta, nevertheless, because of his business holdings (President of Aerovias Panamá Airways and the largest bus company in the Republic) and his readily available resources, is in a position to influence the powerful business community in Panamá in a way in which de la Rosa never could because of his known communist leanings. The President is said to be thoroughly familiar with the background and communist leanings of de la Rosa, but feels that he can use his ability and at the same time control his influence better in the Presidencia than he could if the latter were employed elsewhere.

2. The three main aspects of the President's reform program which are being implemented to date are: (a) reorganization of the government ministries to eliminate duplication of operations and cut costs (b) establishment of a realistic national budget and (c) initiation of a public works program designed to create employment and improve necessary public services.

Only two ministries, Foreign Relations and Treasury, have so far completed reorganization. A budget of ordinary expenses and revenues has been approved at \$51.9 million by the National Assembly. The extraordinary budget covering public works projects for 1957 was approved at \$32.8 million, but is considered to be more than double the actual amount that will be spent on public works during 1957. Public works projects, for which financing was available, got underway in mid-December, with the advent of the rainy season. Other projects are awaiting financing and completion of engineering studies.

3. Already an estimated 500 of the approximately 2000 government employees reduced in force as a result of the Panamanian Government's reorganization program have found employment in various construction projects in Panamá and the Canal Zone, as well as an estimated 500 of the approximately 1000 Panamanian employees of the Panama Canal Company reduced in force since January 1. These projects include: (1) further construction of the Inter-American Highway (2) initiation of construction of the oil refinery and auxiliary works by Refineria Panamá S.A. in the vicinity of Las Minas Bay and (3) various maintenance and new construction projects in the Canal Zone.

President de la Guardia has estimated that his 1957 public works program will provide employment for 6000 persons. As the Department is aware, the National Assembly has authorized President de la Guardia to borrow a sum not to exceed \$32,754,729.53 to finance specific public works projects. Of this amount, an estimated \$14 million would be applied to a proposed aqueduct, sewage disposal and hydroelectric plant for Panamá City and suburbs; \$16 million would be applied for completion of the Inter-American Highway, including concrete paving; \$250,000 for walls and water systems in the interior of Panamá; \$30,000 for construction of public works in all the provinces of the Republic and the Comarca of San Blas; \$1.5 million for additional public works in Panamá City to be paid by assessment of Government tax; and


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\$150,000 for replacement of water meters and parts.

The Embassy's best estimate of the Panamanian Government's ability to secure financing for the proposed public works projects is set forth in detail in this Embassy's despatch 281 of January 21, 1957.

For the Ambassador:


R. Austin Acly
Counselor of Embassy

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